

Division of Information Technology

Strategic Plan

2006–2009

July 3, 2006

Mission of the Division of Information Technology

The mission of the Division of Information Technology (IT) is to add value to the work of our customers through delivery of cost-effective information services with the following emphasis:

- Strive to maximize the productivity of our customers.
- Provide quality service.
- Minimize costs and complexity.
- Attract and retain a highly skilled and effective staff.

IT's core values enable us to grow and change continually to meet our customers' unique requirements for products and services. Our core values include teamwork, integrity, service and ownership, knowledge of the customers' business, customer orientation, diversity, professional development, and risk management.

In the 2006-2009 strategic planning process, three major **strategic goals** were identified to achieve IT's mission:

- Identify the forces affecting the business of our customers and some that are significant primarily for IT.
- Identify technical challenges and develop specific solutions.
- Identify management challenges and develop solutions.

Because IT provides services to meet the automation needs of its customers, its strategic plan is a framework that describes both the forces that will shape their businesses as well as technological changes anticipated over the next three years. The plan outlines the areas where IT will focus its responses to those forces.

Identify Forces Affecting IT's Services Goal:

Several forces affect IT's delivery of automation and statistical services.

Financial Industry Reform and Risk-Focused Supervision

The U.S. banking system will continue to evolve, with a small number of large, complex banking organizations operating across wide geographic regions and numerous smaller institutions focused on local communities or larger regional areas. The number of financial institutions will continue to decline. The new risk-based capital framework of a revised Basel I Capital Accord (Basel II) will require changes in accounting practices and revised regulatory and supervisory processes. Cross-functional integration within the industry across banking, securities, and insurance, however, will increase complexity and present new challenges to the Federal Reserve System (System) in accomplishing its mission. To effectively supervise the large, complex banking organizations, a risk-focused supervision model has been adopted that puts the most resources on reviewing those business areas that represent the largest risk to the organization's condition. The Board must continue to facilitate data sharing between agencies. These issues and the drive for effectiveness may require changes to the banking supervision model, and automation tools will play an important role in the achievement of these objectives. Thus, the System's supervision function has prepared a strategic automation plan outlining critical and strategic needs, infrastructure issues, and other opportunities where technology changes will help.

Legislative Actions

Legislation affecting how government conducts business, the Federal Information Security Management Act (FISMA) and the rest of the Electronic Government Act (E-Gov), require the Board to conform to federal government standards and require additional reports to the Office of Management and Budget (OMB) and to the Congress. FISMA regulations, in particular, require that the Board adopt a risk-assessment process and an information security manual conforming to standards issued by the National Institute for Standards and Technology (NIST). There is also a new

Presidential Directive on smartcards affecting the operation of cards used for perimeter access and other control functions.

In addition, the Government Paperwork Elimination Act (GPEA) requires federal agencies to be able to maintain, submit, and disclose information electronically as well as by paper by October 21, 2003. The Workforce Investment Act of 1998, which includes the Rehabilitation Act Amendments of 1998 (section 508), requires that electronic and information technology developed, procured, maintained, or used by federal agencies be accessible to individuals with disabilities. Legislative actions affecting electronic versions of checks (Check 21), interest on business checking accounts, interest on reserves, financial privacy, and modifications to the Gramm-Leach-Bliley Act, the Sarbanes-Oxley Act, the Home Mortgage Disclosure (HMDA) or Community Reinvestment Acts (CRA), may require significant changes in financial reporting systems and processes and thereby significantly affect automation systems.

Increased Communication Using the Internet

The Board's reliance on the Internet to communicate with the other regulators, financial institutions, and the public will continue to grow during the planning period. The Board has a public web site (PubWeb) and maintains a web site on behalf of the Federal Financial Institutions Examination Council (FFIEC). PubWeb contains information on the Federal Open Market Committee (FOMC), testimony and speeches, press releases, statistical releases, supervision and regulation reports and actions, consumer information, Board publications, and reports to the Congress. The FFIEC web site offers organizational and financial information about banks and bank holding companies, examination education, and HMDA/CRA reports under the control of the FFIEC on behalf of the regulatory agencies. Demand to publish more information on the web is increasing. IT will continue to expand and improve these web sites to meet the requirements of the Board, the FFIEC, and the E-Gov Act for usability and timely and reliable delivery of information to the public. In cooperation with the Board's divisions, IT works closely to implement and produce expanded services and make more information available to the public.

Information Security and Operational Continuity

Threats to both physical and information security are likely to increase. Many Board functions are critical to our country's financial strength and they rely on the availability of information technology and very confidential information. The Board must constantly identify and monitor risks that threaten its employees, operations, and assets and regularly assess the measures in place to mitigate those risks. The Board must ensure that security measures remain sufficient over time to protect its staff as well as its physical and information assets. The Board requires highly effective business continuity plans and regular testing of those plans, including their IT components. Security commensurate with business risk must be in place when new technologies are adopted, recognizing that both security and ease-of-use are important. Coordination with the financial industry and other federal agencies will be increasingly important.

Widely spread malicious software will continue to pose the greatest threat to Board operations. IT will continue to implement safeguards that simultaneously reduce this threat and minimize its impact on operations.

Encrypted (Secure) Communications

The trend of increased communications between the Board and other regulatory agencies is expected to continue. Many of these communications, whether voice or e-mail, involve sensitive information and thus need to be secure from unauthorized persons, usually with encryption. Moreover, as Board employees increasingly work from home and while on official travel, making information available securely to a "mobile workforce" becomes ever more important. E-mail solutions are finally emerging that are both interoperable and easy to use.

In June 2006, the National Institute of Standards and Technology (NIST) issued a security checklist to follow when information is removed from, or accessed from outside the agency location. IT is following this list by implementing encryption software, for remote access protection, that will encrypt hard drives and remote data storage devices such as stick drives to ensure the security of sensitive information, in addition to the other recommended actions.

Staffing

Changing skill requirements and difficulties in hiring and retaining staff will again challenge our customer divisions and IT as the private-sector demand for IT specialists increases. The number of senior IT analysts eligible to retire during the planning period remains significant. IT needs to continue to offer interesting assignments and other learning opportunities to deliver services efficiently and retain key staff.

IT's Technology Challenges and Solutions Goal:

IT Infrastructure

Customer demand will continue for more powerful tools, data storage capacity, and computing power, with access to a greater universe of information regardless of location. Satisfying these requirements while reducing the complexity and improving the security of the Board's computers and networks will require research and strong management efforts. IT will continue to monitor industry use of Linux and its application in the Board's environment. IT expects to continue to find ways to improve Internet access speed for Board staff, who increasingly depend on the web for information.

Streaming Media

Offering streaming media as an alternative to discrete, nonstreaming files is a goal for 2006. This will allow for desktop-based video training and real-time viewing of testimony, press announcements, market analyses, and other business information. IT will watch developments in video broadcasts using the Internet (webcasts), and web-based videoconferencing using the Intranet. As customer demand for these services grows, IT will look for ways to implement them in a cost-effective manner.

Remote Access

More of the Board's staff will rely on remote access as they perform their job duties from home, while on travel, or for contingency. IT will continue to conduct research into emerging remote-access technologies, especially wireless. IT will also continue to look for ways to improve remote access from hotels for staff on official travel. IT will also watch for improvements in end-to-end encryption with wireless products so staff can exchange sensitive information.

Applications Development Directions

To deliver high quality software more quickly, IT will concentrate during the planning period on developing new software that uses a browser for the user interface. IT strives to deliver software that is independent of the brand

of browser used. IT will also continue to use structured project management methodology that has proven to result in applications that more closely match customer requirements and require less work to maintain.

Continuous Operations

Providing uninterrupted service will remain an essential objective during the next planning period. Regular testing will continue using a distributed contingency facility and a mainframe recovery site.

Web Data Standards

As worldwide progress is made on standards for the extensible markup language (XML) for exchanging information, IT will develop more software to leverage both System and Board standards. Planning and training will help develop staff expertise. IT is working with customer divisions and staff at other FFIEC agencies on standards relevant to the collection and publication of statistical data. For example, the Call Report Modernization Project uses XBRL to collect and distribute reported financial institution data for FFIEC agencies. The Call Report taxonomies currently fit within the XBRL North American Framework that follows the Generally Accepted Accounting Principles (GAAP). FFIEC agencies will maintain and manage the Call Report taxonomies and provide links to the common concepts contained in parent taxonomies; for example, Bank and Saving Institution taxonomies under GAAP. Also, the Call Report taxonomies will be presented to the XBRL Standards Group for recognition and validation.

Group Collaborative Tools

Collaborative systems continue to play an important role at the Board. With these tools, work groups can communicate, develop projects, and edit documents interactively. Collaborative computing is inherently complex, and therefore IT will continue to improve and adapt applications development to simplify this model.

Digital Identity Management

In response to the need to ensure that only authorized people are admitted to Board premises and the need to transfer signed official documents

electronically, IT will explore alternatives for either establishing a public key infrastructure or using an existing one.

IT's Management Challenges and Solutions Goal:

Project and Risk Management

Project management is a central component of IT's services. As senior analysts retire, IT must continue to develop these skills in less-experienced analysts. Required skills include the ability to manage a variety of risks, including those associated with large projects, new technologies, and the diverse requirements of various stakeholders.

IT will explore alternative cost-management tools that can be used to identify, track, and analyze IT costs and business performance measures.

Education

Knowledge, both of information technology and our customers' business, is another key component of IT's services. To enhance IT's knowledge we will focus on the following strategies:

- Continue to hire staff members educated in both information technology and economics, banking, statistics, or other disciplines of our customers.
- Train our staff through a blended approach that provides different methods of learning that include academic courses and short courses in the classroom and online.
- Provide staff members with assignments that reinforce and extend their training.
- Encourage rotational assignments within IT for staff.
- Conform to a system development methodology.
- Perform peer reviews in connection with IT staff's review of the design or processes of various projects throughout the division.
- Provide group opportunities for research into new technologies that are likely to have cost-effective applications for the Board.

Staff Retention

The market for information technology specialists is expected to remain competitive, as demand continues to outpace the number of professionals graduating from the nation's colleges and universities. At the same time, some senior professionals are eligible to retire during the planning period.

Retaining our experienced staff members and hiring and retaining new professionals who are able to learn quickly and interact well with others is vital to IT's future. IT will continue to compete by offering opportunities to work on new systems with state-of-the-art tools and by promoting teamwork.